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Industrial Development Board

Thirteenth session
Vienna, 7-11 November 1994
Item 13 of the provisional agenda

HOME LEAVE ENTITLEMENTS OF STAFF SERVING IN THE UNIDO SECRETARIAT

Proposal submitted by the Philippines

Note by the Director-General

1. The Permanent Representative of the Philippines to UNIDO, in a communication addressed to the Director-General dated 1 September 1994, requested the inclusion of the above item in the agenda of the forthcoming session of the Board.

2. The request for the inclusion of the item, submitted in accordance with rules 11 and 14 of the rules of procedure of the Board, was accompanied by the explanatory memorandum and draft decision reproduced in the annex to the present note.

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Annex

PROPOSAL FOR THE INCLUSION OF THE ITEM "HOME LEAVE TRAVEL ENTITLEMENTS OF STAFF SERVING IN THE UNIDO SECRETARIAT" IN THE PROVISIONAL AGENDA OF THE THIRTEENTH SESSION OF THE INDUSTRIAL DEVELOPMENT BOARD, 7-11 NOVEMBER 1994

I. Explanatory memorandum

In accordance with rules 11 and 14 of the rules of procedure of the Industrial Development Board, the Philippines proposes the inclusion of the item - "Home leave entitlement of staff serving in the UNIDO Secretariat" - in the provisional agenda of the forthcoming thirteenth session of the Board to be held from 7 to 11 November 1994.

Decision IDB.12/Dec.4

In decision IDB.12/Dec.4, Annual Report of the Director-General: Further cost-cutting measures, the Board, among others,

- Stressed the need to pursue measures for cost cutting and efficiency in response to the rationalization of expenses and financial difficulties faced by the Organization as indicated in the Annual Report of UNIDO, 1993;

- Requested the Director-General, within the framework of overall cost-cutting efforts, to review the current arrangements for implementing the system of home leave entitlements of UNIDO staff, taking into account the relevant recommendations of the External Auditor, the conclusions of the internal Task Force on Rationalization of Expenditures and Cost Reduction, the opinions of the Staff Council and the parameters of the common system of the United Nations;

- Also requested the Director-General to report to the Programme and Budget Committee on the implementation of the action required in the paragraph above and to make appropriate amendments to the relevant Staff Rules of UNIDO at the latest by 1 January 1995.

Director-General's Interim Report to the PBC

At the tenth session of the Programme and Budget Committee (PBC), held from 20 to 24 June 1994, the Director-General submitted under agenda item 5, "Financial situation of UNIDO (Rationalization of expenditures and cost reduction)", an interim report (PBC.10/14, annex) on the implementation of the action requested in decision IDB.12/Dec.4. That interim report, among others, states that:

> The Director-General, in response to the request contained in decision IDB.12/Dec.4 to make appropriate amendments to the staff rules by 1 January 1995, will ensure that any changes in the arrangements for home leave travel will be consistent with the entitlements to such travel and with the United Nations Common System of Salaries, Allowances and Benefits.

Status of UNIDO Secretariat action taken on Board decision IDB.12/Dec.4

Given: the interim nature of the report made by the Director-General at the tenth session of the PBC; the fact that the PBC will not meet until next year; and taking into account the directive (IDB.12/Dec.4) to make appropriate amendments to the relevant staff rules by 1 January 1995, it is deemed imperative that the Board should consider the subject item at its thirteenth session in order to implement the said directive. In this regard, a draft decision is submitted herewith, for consideration by the Board.

II. Draft decision submitted by the Philippines

HOME LEAVE ENTITLEMENTS OF STAFF SERVING IN THE UNIDO SECRETARIAT

The Industrial Development Board:

(a) Recalls its decision IDB.12/Dec.4, which requested the Director-General, within the framework of overall cost-cutting efforts, to review the current arrangements for implementing the system of home leave entitlements of UNIDO staff;

(b) Further recalls that that decision also requested the Director-General to report to the Programme and Budget Committee on the implementation of the action required in the aforementioned request and to make appropriate amendments to the relevant Staff Rules of UNIDO at the latest by 1 January 1995;

(c) Notes that no proposed amendments to relevant staff rules were reported to the tenth session of the Programme and Budget Committee and that the Committee will no longer meet in the year to consider proposed amendments, if any, in time for their implementation by 1 January 1995;

(d) Requests the Director-General to take the following measures, which shall become effective not later than 1 January 1995, for the further rationalization of the system of home leave entitlements of the Secretariat's eligible staff:

(i) The Organization shall pay the home leave travel costs of the staff member on the basis of the least expensive fare available (which will be the lowest among the economy fare, excursion fare, contract fare, APEX, or any special or discounted fare), provided that the Organization shall bear the cost of any changes in the booking for reasons beyond the control of the staff member;

(ii) As an alternative, the Organization may pay the staff member a lump-sum which shall not be higher than fifty per cent (50 per cent) of the cost of the full economy fare of the least costly scheduled air carrier between Vienna and the closest airport to the established place of home leave. For children entitled to reduced-fare tickets, the maximum lump-sum shall be fifty per cent (50 per cent) of the applicable reduced fare. By selecting this option, staff members shall waive all other travel entitlement, including further amounts for transportation, rest stopovers, terminal expenses, insurance coverage, accompanied excess baggage and unaccompanied shipments, and for expenses relating to travel documents and visas for themselves and their eligible dependants;

(e) Requests the Director-General to make appropriate amendments to the relevant Staff Rules in line with the above;

(f) Further requests the Director-General to report to the Board on the implementation of the above measures.

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HOME LEAVE ENTITLEMENTS OF STAFF SERVING IN THE UNIDO SECRETARIAT

Proposal submitted by the Philippines

Note by the Director-General

Addendum

1. The Permanent Representative of the Philippines to UNIDO, in a communication addressed to the Director-General dated 27 October 1994, requested that paragraph (d) (ii) of the draft decision reproduced in the annex to document IDB.13/25 be revised to read as follows:

> "As an alternative, the Organization may pay the staff member a lump-sum which shall not be higher than sixty-five per cent (65 per cent) of the cost of the full economy fare of the least costly scheduled air carrier between Vienna and the closest airport to the established place of home leave. For children entitled to reduced-fare tickets, the maximum lump-sum shall be sixty-five per cent (65 per cent) of the applicable reduced fare. By selecting this option, staff members shall waive all other travel entitlement, including further amounts for transportation, rest stopovers, terminal expenses, insurance coverage, accompanied excess baggage and unaccompanied shipments, and for expenses relating to travel documents and visas for themselves and their eligible dependants;"

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HEADQUARTERS AGREEMENT BETWEEN UNIDO AND THE REPUBLIC OF AUSTRIA

Report of the Director General

1. The present report updates information provided in document GC.5/24.

2. Subsequent negotiations on the headquarters agreement between the Legal Adviser of the Ministry for Foreign Affairs of the Republic of Austria and the Legal Adviser of UNIDO have considerably narrowed down the unresolved issues.

3. As reported in document IDB.10/23, paragraph 3, a parallel, nearly identical text had been proposed for the United Nations Office at Vienna (UNOV) by the Director-General of UNOV. In recent months, close consultations have taken place between the legal advisers of UNIDO and the United Nations in connection with the UNOV negotiations with the Ministry for Foreign Affairs, which began in early July 1994. As a result of those negotiations, the UNIDO and United Nations legal advisers decided to coordinate negotiations during the final phase with the Austrian authorities.

4. It is the intention of the parties involved to hold the next round of negotiations in the second part of October 1994 in a trilateral meeting involving the Government of Austria, the United Nations and UNIDO, with the aim of identifying appropriate solutions to the outstanding issues.

5. It is hoped that the negotiations will result in an agreed text concerning the Headquarters of UNIDO between the Republic of Austria and UNIDO before the end of 1994, so that it can be presented to the Industrial Development Board for approval at its fourteenth session.

ACTION REQUIRED OF THE BOARD

6. The Board may wish to take note of the present report.

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UNIDO POLICY FRAMEWORK - ORGANIZATIONAL AND STAFF STRUCTURE

Progress report by the Director-General

Summary

Reports on the further progress made in the implementation of General Conference resolutions GC.5/Res.18 and GC.5/Res.20 as well as on recruitment for senior management and supervisory staff levels of the Secretariat, in compliance with Board decision IDB.12/Dec.9, paragraph (h).

CONTENTS

	Paragraphs	Page
Introduction	1 - 2	1
Chapter		
I. ORGANIZATIONAL AND PRIORITY ISSUES	3 - 44	2
A. Management measures	3 - 8	2
B. Prioritization	9 - 22	2
C. Recent progress in priority areas	23 - 44	3
II. OTHER ACTIVITIES	45 - 51	5
A. UNIDO field representation	45	5
B. Involvement in major United Nations conferences	46 - 50	5
C. Post-emergency assistance	51	6
III. PERSONNEL POLICY	52 - 65	6
A. Recruitment and promotion	55 - 58	6
B. Staff training	59 - 65	7
IV. ACTION REQUIRED OF THE BOARD	66	7

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Introduction

1. At the twelfth session of the Industrial Development Board, the Director-General submitted a progress report (IDB.12/5) complemented by a conference room paper (IDB.12/CRP.4) on action taken on the organizational and staff structure to implement General Conference resolution GC.5/Res.18 on the future policy framework of UNIDO. The main emphasis of that report was on the fine-tuning of the new organizational structure as well as the introduction of new managerial procedures and mechanisms. The present report, prepared in response to decision IDB.12/Dec.9, summarizes further progress made in implementing General Conference resolution GC.5/Res.18 and the mandates of the Yaoundé Declaration (resolution GC.5/Res.20).

2. By the time the twelfth session of the Board was held, the final organizational structure had emerged and key new guidelines, such as those on the management of UNIDO services, had been worked out. The Organization was thus in a position to concentrate on the refinement and further elaboration of its substantive priorities as well as on related programme development work, including the detailed planning and preparation of industry sector programme review missions to selected countries. While these activities are described in greater detail in chapter I of the present document, chapter III provides an update on progress made in the recruitment efforts of the Organization.

I. ORGANIZATIONAL AND PRIORITY ISSUES

A. Management measures

3. Following the establishment of the new organizational structure in January 1994 and some required subsequent fine-tuning, a series of new management and coordination mechanisms were elaborated and introduced. These have become operational. Thus, guidelines and procedures for the initiation and management of UNIDO services are being applied. The entire process is being monitored and it will be reviewed and possibly refined and simplified after a trial period of perhaps one year, taking into account the experience gained by the various organizational units concerned.

4. Efforts are being made, following the report of an external consultant, to direct the efforts of the Organization towards a budget process based on programmes and cost centres. This is a process that will require at least two full budget exercises but the first steps will be taken by the end of 1994. Existing systems to promote team building and facilitate the recording of contributions of individual team members to the work of the team will be explored as of November 1994 with a view to identifying parameters for measuring quantitative and qualitative dimensions in the contribution of each staff member. Subject to the recommendations provided and subsequent follow-up, results could be expected by mid-1995.

5. Particular attention has been given to programming activities to ensure close linkage between the changing requirements, demand pattern and priorities of developing countries on the one hand, and the prioritization of UNIDO services on the other. Country programming briefs have been elaborated as an initial, internal information basis for programming and related activities. These briefs cover essential data and information of the economy and industrial sector of individual developing countries. Such country programming briefs have been prepared for a number of countries under the new format (UNIDO/DG.B/177 annex V). Existing briefs for 36 countries are presently being updated and revised.

6. The continued series of Industrial Development Reviews also aims at strengthening the country focus of UNIDO activities, providing a service not only to UNIDO officers but also to other international agencies concerned with industrial policy, planning, project development and implementation. The reviews are issued as sales publications, published jointly by UNIDO and the Economist Intelligence Unit (EIU), or non-sales publications. Both are intended to serve as a ready source of industry-specific information and analytical documents that highlight the emerging industrial prospects across disaggregated segments of manufacturing. In 1994 the following publications were issued in cooperation with EIU: Egypt, India and Mexico (forthcoming, November 1994). Other 1994 publications in the Review series include Lao People's Democratic Republic and Namibia. A number of sales Reviews have also been initiated for issuance in 1995. These will cover Argentina, the Islamic Republic of Iran and a regional review of the Central Asian Republics.

7. In the context of intensifying its programme development activities, UNIDO is currently involved in the preparation of Country Strategy Notes under the overall supervision of the United Nations Development Programme (UNDP) Resident Coordinators. Work with UNDP and other organizations of the United Nations system is ongoing in a large number of African countries as well as in countries in the other developing regions. The preparation is also being undertaken of country support strategies that would establish a coherent framework for focusing UNIDO services in a particular country, based on the country's industrial development strategy and policies and the development objectives and core areas of expertise of UNIDO.

8. Programming missions will be launched to selected developing countries in various regions to review existing cooperation programmes and develop new initiatives and priority areas for UNIDO programmes in those countries. The missions will also initiate dialogues with a broader range of partners of UNIDO in industrial development, for example, ministries of environment, ministries of planning and finance, the private sector, industry-related non-governmental organizations and associations. These programming missions - under the overall guidance of the Country Strategy and Programme Development Division and involving the technical expertise of implementing divisions as appropriate - will thus strengthen dialogue with Governments, industry-related institutions and the industrial community at large in the countries concerned. They will also synchronize the envisaged UNIDO services with those of other bilateral and multilateral development assistance organizations. The findings of these missions will, inter alia, serve as inputs for the preparation of UNIDO country support strategies in coordination with the United Nations Development Programme and other United Nations organizations. During the latter half of 1994 and the first half of 1995 missions will be undertaken to at least 14 African countries, three countries in Asia and the Pacific, three Arab countries and four countries in Latin America and the Caribbean.

B. Prioritization

9. Recent direct contacts by the Director-General and senior UNIDO staff with policy-makers and leading representatives of private industry in both developing and developed countries underline the role of industry as the engine of growth and thus as the main basis for socio-economic development. As is also clearly stressed in the current system-wide debate on development, the economic growth process needs to be conceived and pursued so as to generate optimal, sustainable improvement of human well-being. Industry needs to be seen as the main vehicle in this context. It has an increasing role in contributing to socio-economic development by focusing on the human dimension and social issues, including employment. Enabling industrial policies and strategies in support of market-led economic development are being given growing attention in many countries in the aftermath of macro-economic adjustment policies and programmes.

10. Through its initiated reform process, UNIDO has responded to the necessity of providing support to these endeavours by establishing five development objectives and corresponding clusters of services and activities.

11. In response to the need to build up national capacities for industrial and technological growth

and competitiveness, programmes are being designed covering, inter alia, advisory services for an enabling environment for industrial development; sector-specific and advisory services are provided on information, sourcing, assessment and transfer of technologies as well as quality control, standardization and metrology and enterprise restructuring.

12. The objective of development of human resources for industry, entails, inter alia, services pertaining to the analyses of changing skill requirements; strengthening institutional capabilities; and direct training and skill upgrading activities.

13. The objective of equitable development through industrial development is focusing on reduction of poverty, through policies; rural industrial development; promotion of SMEs (including through entrepreneurship development); stimulation of self-organization and sub-contracting; support to agro-industry development; and regional development programmes and policies.

14. The objective of environmentally sustainable industrial development is focusing on cleaner production concepts; on programmes related to the Montreal Protocol on substances that deplete the ozone layer; and on energy-efficient industrial processes.

15. The objective of international cooperation in industrial investment and technology promotes investment in industry and the transfer of technology and supports twinning arrangements between industry-related institutions. A particular emphasis is on the economic and technical cooperation among developing countries.

16. Through these clusters of UNIDO services, the Organization is taking into consideration the emerging new concepts and patterns of industrial development and thereby supporting socio-economic development in developing countries. The types of services the Organization is primarily using for these purposes cover industrial policy advice, technical services, and contact-creating activities with the private sector, in particular small and medium enterprises.

17. The main comparative advantages of UNIDO in addressing the key issues of development are perceived as follows:

(a) Three different levels are actively supported: government, institutions and enterprises, thereby cross-fertilizing the experiences acquired at those three levels. No other United Nations agency is versatile enough or has the experience to do so;

(b) UNIDO has a strong sectoral orientation with insight in engineering/metallurgy, agro-industries and chemical industries. This gives UNIDO the substantive basis to address the cross-sectoral issues such as human resource development, investment promotion, environmental protection, industrial restructuring and quality and standardization, through an integrated and multidisciplinary approach;

(c) The services rendered are of an authoritative and global nature, such as the provision of industrial and technological information and industrial statistics, and forecasting, which constitute an essential basis for industrial cooperation.

18. In the endeavours outlined above, UNIDO also fully recognizes the need to continuously monitor both the changing demand pattern and the supply capacity for services to be delivered and to ensure that the focusing and prioritization of programmes and activities is an ongoing process. To this end, a series of priority theme papers is being prepared and a description of UNIDO priority services has been finalized and will soon be circulated to Member States. The formulation of these priority themes has been carried out in a participatory process by all staff concerned, across divisional boundaries. The themes were also presented and discussed at internal strategy seminars for UNIDO staff.

19. The priority theme papers are primarily of an indicative nature since the form and content may vary considerably with different country conditions and situations. They are intended to highlight various issues and aspects of industrial and technological development that are both of special interest to most developing countries and constitute fields in which UNIDO has special capability and expertise. In elaborating the papers for each priority theme, further selectivity and focusing is applied in terms of singling out those specific dimensions that UNIDO will primarily address.

20. The UNIDO Secretariat has adopted various measures to avoid spreading work too thinly. In fact the actual range of disciplines and types of services is limited and more focused than before. Most technical cooperation and other activities rely on different combinations of these generic substantive services. It is through team-building approaches across organizational units that UNIDO can form critical mass and display its key comparative advantages.

21. A special effort has been launched to define clusters of interrelated priority programmes in terms of combining regional, subsectoral and thematic approaches. This is at present being applied in a first stage to Africa as a priority region, agro-based industries as subsectoral focus and small and medium enterprises as a cross-sectoral theme. Interdivisional, internal working groups were assigned to the elaboration of each of the programmes.

22. The priority theme papers are complemented by regional strategy papers that are being prepared for each developing region. The UNIDO Country Directors have been increasingly involved in the formulation of the regional strategy papers. In these papers, special emphasis is put on UNIDO support to regional and subregional cooperation endeavours as well as on the collaboration and coordination of UNIDO with relevant regional organizations, including those active in development financing. The Director-General is involved in high-level consultations with regional organizations in all developing regions, including the various regional commissions, with a view to enhancing cooperation.

C. Recent progress in priority areas

23. Progress made in developing and implementing demand-oriented UNIDO services in a number of substantive programme areas is reported upon in greater detail in document IDB.13/12. Three areas are highlighted below that derive their special significance from the establishment of new UNIDO branches as a result of the recent organizational

restructuring. These areas are institutional support and private sector development, small and medium enterprises, and environment and energy.

Institutional support and private sector development programme

24. The programme for institutional support and private sector development is to contribute towards a market-based competitive economic system in which a well-functioning private sector, guided by the principles of efficiency and effectiveness, is the driving force. The objectives of the programme are to create an enabling policy environment for the development of the private industrial sector; to strengthen capabilities for policy formulation and implementation; and to improve overall industrial productivity and competitiveness.

25. To that end, the programme is to first strengthen national capacities for formulating industrial strategies and policies. Secondly, it is directed towards enhancing the productivity and competitiveness of the private sector, including management and development of human, financial, technological, administrative, natural and information resources. Thirdly, it is to support the developing countries' capacities to analyse and exercise choices among technological options and to apply technologies and new management systems in order to achieve quality and competitiveness in industry. Services are thus being rendered at the policy level, at the level of industrial institutions and business organizations, covering also the enterprise level.

26. At the policy level, services include advice on policies conducive to private sector development in general (as undertaken recently in Algeria and Zimbabwe). Advisory services are rendered specifically in support of privatization policies and of privatization schemes. Such services were carried out, for example, in Bolivia and Uzbekistan. Advice is provided also on the evolving role of the Government in transition economies towards private sector development, as in Albania. Finally, policies and measures to establish quality control and standards organizations and metrology networks are provided (as is the case in Kenya, Pakistan and Saudi Arabia).

27. Support to industrial institutions and business organizations is provided to analyse competitiveness and to identify constraints to private sector development, such as through joint projects involving India and Mexico. The establishment and strengthening of private sector institutions (such as chambers of industry and professional associations) is another important task. Such projects are carried out for instance in Central American countries. Support is also provided to the establishment and promotion of industrial estates, technoparks and other industrial centres. Projects of that type are being implemented, for example, in Benin, Brazil and Viet Nam.

28. Industrial services are a particular dimension of institutional capacity. Large-scale integrated technical cooperation programmes at policy, institution and enterprise levels for the development of national capabilities in the field of industry related services (R and D, consulting and engineering, quality control and maintenance) are being developed in Algeria, Morocco and Tunisia (in cooperation with the African Development Bank), as well as in the Libyan Arab Jamahirya and Oman.

29. Special emphasis is given to assistance in quality management and control. Thereby, the impact of total quality management on the performance and competitive strength of enterprises is being monitored as for instance, in several Latin American countries.

Small and medium enterprises

30. The small and medium enterprise (SME) programme focuses on the development of competitive and dynamic SMEs and aims at upgrading their human, technological, managerial and organizational capabilities. It is also conceived with a significant capacity for linkage with and contribution to major global development themes pursued by the United Nations and the international community as a whole, and thus addresses core issues to integrate economic and social development as building blocks towards the overall objective of sustainable development.

31. As explained in document IDB.13/12, chapter IV, the programme will contribute to improving the policy and institutional environment in which SMEs operate rather than to assist enterprises directly. Advisory services will aim at building up capabilities in developing countries and are supported by action-oriented research conducted in cooperation with an international network of experts and institutions. The organization of a high-level advisory group and of a network of international, regional and national SME institutions will enhance not only the think-tank capacity of UNIDO but also the resource capacity for technical cooperation beyond the services of its staff.

32. Better networking with bi- and multilateral donors including development banks in the form of research, joint technical cooperation programmes and projects is being actively pursued with a view to exchanging experience and ensuring complementarity of support activities.

33. In this respect, UNIDO is becoming also more active in the Committee of Donor Agencies for Small Enterprise Development (SED), whose objectives are to exchange information on programmes, share experiences and lessons learned and coordinate efforts in the field of SED. On 29 and 30 September, UNIDO hosted the 1994 meeting of the Committee, which was attended by some 35 representatives of bi- and multilateral donors/agencies active in SED and chaired by a representative of the World Bank. Among the themes discussed were new directions for research and guiding principles for financial intermediaries. A conference being prepared by the Committee to be held in 1995 will focus on innovative approaches to financial and other support services for small business in Central and Eastern Europe and the former Soviet Union. UNIDO is expected to present a number of case studies at this conference.

34. The meeting of the Committee was preceded on 27 and 28 September by a meeting of the Donor Working Group of Financial Sector Development also chaired by a representative of the World Bank and hosted by UNIDO. The key theme was the discussion of a study on critical issues in small and micro-business finance commissioned by Germany, the Netherlands and Switzerland.

35. An important aspect of this programme is that of team formation and cooperation across the boundaries of current organizational structures. This is commensurate with the multidisciplinary nature of assistance packages, ensuring quality and addressing such needs as technology, management and information. The modules can draw from a variety of substantive programmes, consolidated into an integrated approach to ensure interdivisional complementarities.

36. In the four subprogrammes listed in document GC.5/11, areas of concentration are emerging based on demand trends in developing countries on the one hand and core capabilities and comparative advantages of the Organization on the other. The programme thus focuses on two core areas: assisting Governments in SME strategies, policies and programmes and building up efficient SME support institutions and systems. Specialized programme components are being further consolidated, in particular in the integrated rural development programme.

Environment and energy

37. Agenda 21 touches upon many subjects where industry can play a direct role in achieving sustainable development. The environment- and energy-related programmes have been directly linked with those on industrial subsectors, with a view to achieving complementarity between UNIDO cross-industrial environment-related activities and those of a subsector-specific nature in response to Agenda 21 and the concepts of ecologically sustainable industrial development.

38. By increasing its involvement in the United Nations system-wide policy dialogue on the follow-up to the United Nations Conference on Environment and Development (UNCED), the Organization is becoming increasingly engaged in both the policy-level and operational initiatives within the framework of the Commission on Sustainable Development. These activities will have a wide impact on the whole of UNIDO.

39. A detailed account of UNIDO programmes and activities in support of Agenda 21 is contained in document A/49/347 presented to the forty-ninth session of the United Nations General Assembly (copies of the document are available with the Secretariat). The participation of UNIDO in the recent sessions of the Inter-Agency Committee on Sustainable Development have resulted in the recognition of the potential role of UNIDO in several areas, most notably in the fields of education science, the transfer of environmentally sound technology, biotechnology, toxic chemicals, hazardous wastes and freshwater resources.

40. UNIDO is at present fully involved not only in the diffusion of the cleaner technology concept and fundamentals through seminars and workshops, but also is installing cleaner production centres in developing countries where, in addition to the information role on clean technology options and assistance to Governments and industry, demonstration projects will be used for the training of specialists and as real case studies of the possibility of attaining cleaner production.

41. Cleaner production has the potential to address the concerns of both environmental protection and more efficient utilization of resources in industrial production. It requires, however, all technical cooperation organizations to enter into new partnerships with federal and local government policy makers, industry associations and enterprises. One particular concern which needs to be addressed is environment protection in large urban centres with their massive concentrations of population and industrial production.

42. A very important field of work for UNIDO now is the Montreal Protocol. The involvement of the Organization in the formulation and implementation of projects for phase-out of ozone-depleting substances and institution-strengthening projects under the Multilateral Fund for the Implementation of the Montreal Protocol has recently gained momentum and is clearly benefiting from the close cooperation between environment and industrial subsector expertise located in the Investment and Technology Promotion Division.

43. In the context of its energy-related activities, UNIDO seeks to play a more active role in the future in helping developing countries meet their obligations under the Framework Convention on Climate Change. The work of the Organization in supporting the efforts of developing countries to improve industrial energy efficiency, to introduce new and renewable energy resources and to improve the efficiency of fossil fuel-based power generation can be considered as contributing to mitigation strategies that address greenhouse gas emissions.

44. In general, the concept of sustainable industrial development entails the integration of all key dimensions of modern industries' development, i.e. quality of products, clean production technology, safe and healthy workplaces and cost-efficient, competitive production systems.

II. OTHER ACTIVITIES

A. UNIDO field representation

45. In its conclusion 94/7 on the UNIDO Country Director (UCD) programme, the Programme and Budget Committee at its tenth session requested the Director-General to prepare an in-depth analysis of the actual and potential impacts of the UCD programme, taking into account, inter alia, the system-wide efforts to rationalize United Nations field representation and the functions of the programme in the context of the reform process of UNIDO. Document IDB.13/29 submitted under item 5 (e) of the provisional agenda provides details on the activities of the Steering Committee on Field Representation, including stocktaking of field representation of other agencies and the fielding of internationa consultants assigned to undertake country analyses. Based on the results of the country surveys and recommendations of the Steering Committee on relevant issues as well as on in-depth studies and comparisons with other United Nations organizations, revised proposals for the UNIDO field representation programme will be submitted to the Programme and Budget Committee at its eleventh session.

B. Involvement in major United Nations conferences

46. The Director-General and senior staff are actively participating in United Nations system-wide forums and debates concerning international development cooperation and policy

issues relating to the division of labour within the system. It has been reiterated that international cooperation for development is needed today more than ever before and that the United Nations system as a whole must play a key dynamic and coordinating role.

47. Social concerns, above all poverty eradication, must be given highest priority in development programmes. This means increasing the pace of socio-economic transformation of each developing economy through industrial development. Industrial and technological development provides direct and indirect employment and livelihood and brings about, through its multiplier effect, a sustainable development process in underdeveloped and rural areas. Without major emphasis on achieving a sound and diversified industrial and technological base, it would not be practicable to achieve the goals of adequate job creation and poverty eradication in a time of continued population growth in most developing countries.

48. A UNIDO delegation headed by the Director-General attended the International Conference on Population and Development at Cairo, Egypt, in September 1994. In his statement to the Conference, the Director-General drew attention to the relationship between population growth, urbanization and industrial development. He stressed that while education, health and family planning programmes must be given major attention in developing countries, high priority should be accorded to programmes supporting education and broad-based economic and industrial development - with due consideration to an enhanced role of women.

49. The World Summit for Social Development is the next landmark in a series of major United Nations conferences. UNIDO is actively participating in the preparatory process, inter alia, in the framework of the Preparatory Committee, which held its second session in New York in August and September 1994. The Organization has been successful in enhancing the attention given in the draft programme of action to the role of productive economic capacities as a basis for social development. This basic theme will be further pursued and elaborated in both a fact sheet and a position paper on the contribution of industry to achieving social objectives that UNIDO will be submitting to the World Summit for Social Development at Copenhagen, Denmark in March 1995. Further details on UNIDO involvement in the preparatory work for the Summit are given in document IDB.13/30 submitted under item 7 of the provisional agenda. Internally, this work is coordinated by a steering committee under the chairmanship of the Head of the Human Resource Development Branch.

50. Similarly, an internal task force chaired by the Managing Director of the Industrial Sectors and Environment Division has been entrusted with the coordination of the UNIDO preparatory work for the Fourth World Conference on Women, to be held at Beijing, China, in September 1995. In addition to analytical inputs - such as five regional typology studies on the participation of women in manufacturing - UNIDO will focus on substantive and promotional activities to highlight the role of industrial development for reaching the strategic objectives as defined in the draft platform of action, which will be discussed further in the United Nations Commission on the Status of Women. Further information on the UNIDO contribution to the World Conference is provided in document IDB.13/12, chapter VII.B.

C. Post-emergency assistance

51. Recent international debate has evolved around the theme of a relief-development continuum and the requirement to effectively interrelate the agenda for peace and the agenda for development. For precisely this reason, UNIDO is conscious of the need to join hands with other agencies in supporting rehabilitation and reconstruction endeavours in post-emergency settings. An integrated UNIDO programme has been developed to offer immediate industrial reconstruction support to countries and areas suffering from the consequences of war or natural disasters. This programme, inter alia, addresses (a) restoring equipment in established industrial subsectors; (b) creating a local "industry for reconstruction", i.e. focusing on satisfying immediate and basic needs in areas such as food supply, health sector inputs, building materials and construction; and (c) alleviating the damage of war to the environment. The programme has been fully elaborated as a framework for UNIDO assistance to Bosnia and Herzegovina and was submitted to the First Donors Conference for the Action Plan for the Restoration of Essential Services at Sarajevo, convened by the Special Coordinator for Sarajevo of the Secretary-General in Vienna in September 1994.

III. PERSONNEL POLICY

52. Human resources constitute the most important asset in any organization. It is also one of the areas that require the most attention in a reform process, such as the one ongoing in UNIDO. After the twelfth session of the Industrial Development Board, a systematic review of the Organization's personnel policy and instruments was initiated. This review is being carried out by concerned senior staff supported by specially assigned external expertise.

53. One main issue under critical review is the performance appraisal and accountability systems, for which proposals for reforms will be elaborated and tested during the first quarter of 1995. Parallel to these endeavours UNIDO is fully involved in the work of a United Nations system-wide debate on this issue.

54. In order to provide for greater incentives and to be able to give more prominent recognition of outstanding performance by the staff, a merit award system is under consideration. This will be applied to performance of teams and individual staff members on the basis of quality, innovation, cost effectiveness and other achievements. Likewise, the promotion policy and practices are being reviewed in consultation with the staff so as to identify ways and means for improvement.

A. Recruitment and promotion

55. In recent months, recruitment efforts have been intensified primarily with a view to systematically filling the vacant managerial posts. With most of the managerial posts now effectively occupied through both external recruitment and appointment of serving staff, further recruitment is now progressing into lower-level posts to ensure the critical mass of professional expertise required in key programmes of the Organization.

56. This is pursued in keeping with the required 7 per cent vacancy rate for Professional-level staff (Programme and Budget Committee conclusion 93/4 (e)(ii)). Efforts to identify and recruit candidates from unrepresented or underrepresented countries have continued to be made without prejudice to the need for securing the highest standards of efficiency, competence and integrity of the staff employed.

57. The eight Managing Director positions have all been filled on the basis of a recruitment policy directed towards high competence and progressing towards an equitable and fair geographical balance. For the first time, two of those positions are occupied by women. Upon completion of the review and fine-tuning of the new organizational structure, eight Head of Branch/Service or Chief of Section positions remained vacant. Officers-in-charge acted as interim supervisors. Five of these positions have been filled as of 1 September 1994 through external recruitment of highly qualified candidates (Legal Service, Studies and Research Branch, Human Resource Development Branch, Public Information Section, and Environment and Energy Branch). For the remaining posts, selection has been made and appointments are due in the very near future. In all cases, particular emphasis was placed on representation of developing countries and on attaining an improved geographical balance in general.

58. In the near future, emerging vacancies resulting primarily from natural attrition will necessitate continuing recruitment and promotional efforts for posts at all levels, including Managing Director positions. In this process, the issue of geographical and gender distribution will be treated as one essential dimension in a dynamic perspective. Full attention is thus to be given to attaining the highest standards of professional competence and efficiency on an equitable geographical basis.

B. Staff training

59. Following the restructuring of the Organization in line with its new priorities and the ensuing relocation of staff, the importance of a reassessment of training needs and trends became evident. An initial survey clearly pointed to the need during the 1994-1995 biennium for technical retraining and management and language-related skills upgrading.

60. Technical skills training in 1994 included seminars and workshops in computer-related skills (65 courses for a total of 515 staff members), quality assurance (8 courses, 56 staff members), environmental issues (13 seminars/workshops, 195 staff members) and gender issues in industry (2 courses, 30 staff members). The 1995 course offering will include these subjects and others such as feasibility studies, statistical analysis, total quality management, economic country analysis and mainframe applications, and other topics as required. A curriculum will be developed for UNIDO Country Directors.

61. By the end of 1994 seminars and workshops under the management development programme will have been conducted for Professional-level staff and supervisors in leadership styles and effective management (7), team-building (7), client-driven marketing (2), time management (6) and presentation skills (4) involving some 430 staff members. In 1995 some 200 senior and Professional-level staff members will participate in workshops on the above topics as well as negotiation skills, managing meetings, analytic problem-solving and decision-making.

62. Support staff attended the above-mentioned time-management and team-building workshops as well as three communication skills workshops under the managerial assistance programme. In 1995 approximately 150 managerial assistants will participate in these workshops and new courses on office organization and efficiency.

63. New modules for all staff will include performance appraisal, preventing sexual harassment, and stress management. Seminars have been and will continue to be conducted on the main programmes of UNIDO, technological items and special cross-sectoral themes of interest to the Organization. By the end of September, 10 such seminars had been held, under the chairmanship of the Director-General or the Officer-in-Charge.

64. During 1994, some 30 staff members attended courses under the external training programme in fields such as waste and buildings management, environment, training design and methodology, project and programme evaluation, new applications of natural fluids, management in government, achieving sustainable turnaround (management), development banking, law, procurement and information technology. For 1995 some 30 individual programmes with an average duration of seven days could be supported.

65. As in the past, instruction was provided to staff in the official languages. In addition, workshops have been and will be conducted in specific work-related areas such as writing concise letters and memoranda, drafting of administrative texts, the language of meetings, conducting telephone communication, maintenance of language skills, the use of computer-based grammar checkers and other courses depending on the demand. A total of 85 regular courses and 17 workshops will have been held in 1994 and approximately the same number will be conducted in 1995.

IV. ACTION REQUIRED OF THE BOARD

66. The Board may wish to take note of the steps taken since its twelfth session on the implementation of General Conference resolutions GC.5/Res.18 and GC.5/Res.20.

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UNIDO POLICY FRAMEWORK - ORGANIZATIONAL AND STAFF STRUCTURE

Progress report by the Director-General

Corrigendum

Page 5, paragraph 42, lines 10 and 11

For Investment and Technology Promotion Division read Industrial Sectors and Environment Division

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FINANCIAL SITUATION OF UNIDO

Operational budget

Report of the Director-General

Summary

Reports on the review of the required scope and content of the operational budget and of its relationship to the regular budget.

CONTENTS

		Paragraphs	Page
Introduction		1 - 2	1
Chapter			
I.	SCOPE AND CONTENT OF THE OPERATIONAL BUDGET	3 - 15	1
II.	RELATIONSHIP TO THE REGULAR BUDGET	16 - 23	3
III.	PRIORITIES AND STRUCTURAL REFORM OF UNIDO	24 - 28	4
IV.	FUTURE BUDGETS	29 - 31	4
V.	CONCLUSION	32 - 33	4
VI.	ACTION REQUIRED OF THE BOARD	34	4
Annex	Technical cooperation expenditures and support cost reimbursement, by source of funding, 1987-1993		5

Introduction

1. In its conclusion 94/2, paragraph (c), the Programme and Budget Committee requested the Director-General to review the required scope and content of the operational budget and of its relationship to the regular budget, taking into account the approved structural reform of UNIDO and the reduction of estimated income in the operational budget, and to report on his findings and recommendations to the Industrial Development Board at its thirteenth session.

2. In undertaking this review, consideration was given to the extensive report on the operational budget prepared by the independent team of experts in 1989 (PBC.5/16). The present review takes account of the rapidly changing operational environment and, in particular, of (a) the declining levels of technical cooperation delivery; (b) the impact of the United Nations Development Programme (UNDP) successor arrangements; (c) the availability of information on the identification of project support costs within UNIDO; and (d) the impact of the priorities and structural reform of UNIDO.

I. SCOPE AND CONTENT OF THE OPERATIONAL BUDGET

A. Legislative framework

3. Review on the scope and content of the UNIDO operational budget should be undertaken having regard to the Constitution, which draws a distinction between regular and operational budget activities. The importance placed on UNIDO operational activities led to the inclusion in the Constitution of a separate budget covering technical cooperation activities. Article 13 of the Constitution provides for:

(a) A regular budget which relates to "expenditures to be met from assessed contributions" comprising "expenditures for administration, research and other regular expenses of the Organization and for other activities as provided for in Annex II". These include "programme support costs arising from technical assistance projects, to the extent that these costs are not reimbursed to the Organization by the source of financing of such projects". Annex II.B to the Constitution further provides for the regular budget to finance, in the amount

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of 6 per cent of the total of the regular budget, activities formerly financed out of Section 15 of the United Nations regular budget (Regular Programme of Technical Cooperation).

(b) An operational budget which relates to "expenditures to be met from voluntary contributions to the Organization and such other income as may be provided for in the financial regulations" comprising "expenditures for technical assistance and other related activities".

4. While in the Constitution "operational budget" refers to the budget financed from voluntary contributions, the term is often used more narrowly in reference to the income derived from the partial reimbursement for technical cooperation (extrabudgetary) support costs and the expenditures financed from this income. The present review discusses the operational budget in this narrower sense.

B. Technical cooperation levels

5. The scope of the UNIDO operational budget is dependent, in the first instance, on the level of voluntary contributions made available to the Organization to provide direct technical assistance to developing countries. Technical cooperation expenditures by major sources of funding from 1987 to 1993 (including Regular Programme of Technical Cooperation) are provided in the annex to the present document.

6. As can be seen from the annex, the relative proportions of technical cooperation expenditures by source of funding to total expenditures has changed markedly since 1987. In particular, the level of resources from UNDP fell from 72.4 per cent ($70.7 million) of expenditures during 1987 to 34.6 per cent ($41.1 million) in 1993. Non-UNDP funding, excluding the Regular Programme of Technical Cooperation, increased in the same period of time from $24.9 million to $67.9 million.

7. UNIDO receives reimbursement for support costs incurred in the execution and implementation of technical cooperation projects. That income for the period 1987 to 1993 is shown in the annex to the present document.

C. Cost components of technical cooperation support

8. In order to discuss "the required scope and content of the operational budget and of its relationship to the regular budget", it is important to identify the total support cost and composition of the cost of supporting technical cooperation activities. The methodology for measuring the cost of supporting technical cooperation on a comparable basis for the five main agencies as established by an external consultant for the UNDP support costs successor arrangements includes the following categories:

(a) The costs of Professional- and General Service-level staff working on any aspect of the project cycle, including identification, formulation, backstopping and evaluation;

(b) The costs of Professional- and General Service-level staff in administrative services directly working on project support, including project personnel services, training services, procurement and contract services, and financial management of technical cooperation;

(c) Part of the costs of branch/section and divisional management to the extent that staff in such organizational units contribute to project support activities (under categories (a) and (b) above);

(d) The share in the cost of Financial Services, Personnel Services and Buildings Management supporting the staff and services listed above (under categories (a), (b) and (c));

(e) Part of the travel costs, consultants, equipment and telecommunications costs to the extent that these support technical cooperation activities, but are not chargeable to specific project budgets.

9. An analysis of UNIDO costs shows that the operational budget income from the reimbursement of support costs is sufficient to cover only a part of the cost components categorized above. The question of the scope and content of the operational budget therefore relates to the question which of the above costs should be covered from the operational budget, and consequently, which should be financed by the regular budget.

D. Support cost reimbursement methodology

10. Prior to the introduction of the UNDP successor arrangements for agency support costs in mid-1992, the reimbursement rate for support costs for all sources of funds was, with a few minor exceptions, a flat 13 per cent of project expenditures. This rate, which was set by the UNDP Governing Council, did not take into account actual support costs, which varied widely depending on the nature of the projects and the implementing agency.

11. This simple system was changed with the introduction of the UNDP successor arrangements. The new arrangements provide for the reimbursement of administrative and operational service (AOS) costs at varying rates depending on the nature of the services provided. In addition, direct payment is made for technical services provided by the Organization at two levels: (a) at the programme level (TSS-1); and (b) at the project level (TSS-2). For projects and programmes financed from other (non-UNDP) sources of funds, the 13 per cent is largely still being applied.

12. An essential feature of the successor arrangements as decided by Member States is the continuation of cost-sharing between UNDP and the executing/implementing agency to which the project is assigned. UNDP provides a standard reimbursement for support costs for the services as outlined in paragraph 11 above, leaving the rest of the costs to be financed by the agency concerned. The ratio of this cost sharing, therefore, varies with the different components of the successor arrangements as well as between agencies.

13. The support costs reimbursement under the old 13 per cent system was not targeted to any specific component of the costs categorized in paragraph 8 above. Under the UNDP successor arrangements, the TSS-1 and TSS-2 reimbursements are intended to finance Professional-level technically specialized staff (category (a)). AOS is intended largely for administrative services (category (b)) and to some extent Professional-level specialized staff involved in providing AOS services (category (a)).

14. It follows from the above that the support costs reimbursement income should be used in the first instance to finance staff under categories (a) and (b). The only additional costs that would be eligible under the above criteria would be costs related to increasing the productivity of the staff concerned, i.e. equipment directly related to technical cooperation activity support.

15. The changes in cooperation with UNDP that were introduced by the successor arrangements for agency support costs do not in themselves alter the scope of the operational budget. However, the three separate categories of support activities established could lead to changes in the composition of services provided by UNIDO to UNDP-financed activities.

II. RELATIONSHIP TO THE REGULAR BUDGET

16. As Annex II to the Constitution stipulates, the regular budget finances the programme support costs arising from technical cooperation projects, to the extent that those costs are not reimbursed to the Organization by the source of financing of such projects. This "cost sharing" concept of programme support costs was also decided by Member States in UNDP Governing Council decision 90/26.

17. The independent team of experts (see para. 2 above) recommended that: (a) the operational budget resources not be used for activities other than the service and support of technical cooperation; and (b) the operational budget resources be used predominantly for activities, the need for which varies in direct ratio with the nature and volume of technical cooperation projects (cf. PBC.5/16, para. 123).

18. Two aspects are important in the relationship of the operational budget to the regular budget: (a) the nature of the support costs (see categories (a) to (e), para. 8 above) that will be financed by the regular budget; and (b) the amount of regular budget resources used to finance costs incurred in support of technical cooperation activities.

19. The nature of the support costs that would be financed from the reimbursements to the operational budget when following the recommendations of the independent team of experts is defined in paragraph 14 above (categories (a) and (b)). The regular budget would finance support costs related to the management of organizational units involved in technical cooperation and the organizational and physical infrastructure, including financial and personnel services and buildings management (categories (c), (d) and (e), para. 8 above). In addition, the regular budget finances the staff directly involved in technical cooperation to the extent that this cannot be funded from the support cost reimbursement income earned, i.e. the residual costs under categories (a) and (b) in paragraph 8 above.

20. The extent to which the regular budget is used to finance costs in support of technical cooperation activities is largely dependent on:

(a) The volume of technical cooperation activities and the actual level of support cost reimbursement received;

(b) The cost efficiency of UNIDO in providing technical cooperation services;

(c) Changes in exchange rates, because costs are largely incurred in Austrian schillings, whereas the reimbursements are in United States dollars;

(d) The ability within the operational budget to respond to sudden changes in the level of technical cooperation activity by adjusting expenditure levels.

21. The extent to which the regular budget has supported technical cooperation activities since 1990-1991 can be seen in the following table.

22. The ability of UNIDO to identify the components of cost, to determine the level of regular budget support and to consider options to control costs is dependent on a reliable system of

Regular budget support to technical cooperation activities, 1990-1995

(In thousands of United States dollars)

			1994-1995	
	1990-1991	1992-1993	Budget	Revised
Reimbursement income from all technical cooperation activities (A)	37,853	30,933	40,500	25,000
Total cost of supporting technical cooperation (B)	109,853	106,800	103,599	91,987
Excess of support costs over reimbursed income (C) = (B-A)	72,000	75,867	63,099	66,987

cost identification. An element of the successor arrangements provides for an independent measurement of the costs of providing the various services across the five main agencies. The cost measurement reports demonstrate that UNIDO's level of costs are comparable to that of the other executing agencies. As a result of the cost measurement analysis, a number of options to improve both the cost effectiveness of certain services as well as the recovery rate of costs have been identified. One of the important options for improvement for non-UNDP-funded technical cooperation activities relates to direct charging of projects for technical services, which is similar to the TSS-2 facility for UNDP projects.

23. A second option to improve cost efficiency is to consider the impact of the size of individual projects. Projects with a relatively low financial value have a disproportionate requirement for technical services causing a relatively higher level of support costs.

III. PRIORITIES AND STRUCTURAL REFORM OF UNIDO

24. The structural reform of UNIDO continues to emphasize the role of the Organization in providing demand-driven direct technical assistance to developing countries. The reform recognizes the need to move away from the provision of many small unrelated technical cooperation projects towards emphasis on comprehensive programmes of technical cooperation activities. This may lead eventually to a higher recovery rate of support costs than at present.

25. The priorities and structural reform of UNIDO do, however, provide an opportunity to reassess the methodology governing the allocation of operational budget resources to UNIDO programmes.

26. In allocating resources in recent programme and budgets, an attempt has been made to follow the recommendations of the team of experts referred to in paragraph 17 above. Although the programmes providing administrative, operational and technical support to projects were identified, the lack of detailed cost analyses made allocations of resources arbitrary to some extent.

27. The restructured UNIDO more clearly identifies those programmes providing administrative and operational services (e.g. Operational Support Division) and those providing technical and operational services (e.g. Industrial Sectors and Environment Division). This improved structure, together with the availability of detailed cost measurements referred to in paragraph 22 will, in future, assist in determining the allocation of operational budget resources to those programmes directly providing the services.

28. The reduction in levels of UNDP resources available to the specialized agencies and the impact of the successor arrangements compels UNIDO to become more demand oriented and competitive. The need to identify new sources of funding for technical cooperation activities is clearly addressed in the reformed UNIDO. The importance of funds mobilization in ensuring that UNIDO plays an effective role in technical cooperation led to the establishment of a separate major programme devoted to this activity.

IV. FUTURE BUDGETS

29. The close relationship and interdependence of the regular and operational budgets will remain an important feature of UNIDO programme and budgets. The budgets will continue to present the resource allocations indicating the source of funding as either regular or operational budget.

30. The Secretariat will endeavour to ensure that future allocations of operational budget resources will be to programmes providing direct support to technical cooperation activities in direct ratio to the volume of those activities. This will be facilitated by the cost measurement reports prepared for the five main specialized agencies which provide the percentages of time spent by technical and support staff on operational and regular budget activities respectively.

31. In the short term, the reduction in the volume of technical cooperation caused by the sudden decrease in UNDP financing for such projects is affecting the operational budget income. To ensure that the capacity of the Secretariat to support technical cooperation activities is not eroded by further reductions in resource availability under the operational budget, it is hoped that Member States will provide additional voluntary contributions to the Organization for technical cooperation activities and, in particular, to the Industrial Development Fund. Provided the resources in the operational budget are used to provide direct support to technical cooperation activities and can be adjusted in line with changes in the level and categories of services demanded, stabilization of the operational budget and the potential to respond to growth should be assured.

V. CONCLUSION

32. The above review highlights the recent improvements made in categorization and measurement of support costs, which may serve as a basis for improved cost efficiency and a more rational allocation of operational budget resources. The impact on UNIDO operations of the changing relationship with UNDP and of the restructuring and reform process and the extent of regular budget support to the operational budget will continue to be kept under review.

33. Specifically, in future programme and budgets the Organization will allocate operational budget resources to those programmes that carry out the services for which the Organization is reimbursed, in proportion to the amount of time the programme allocates to such services (categories (a) and (b) in para. 8 above).

VI. ACTION REQUIRED OF THE BOARD

34. The Board may wish to take note of the contents of the present report.

Annex

TECHNICAL COOPERATION EXPENDITURES AND SUPPORT COST REIMBURSEMENT, BY SOURCE OF FUNDING, 1987-1993

(In millions of United States dollars)

Source of funding	1987		1988		1989		1990		1991		1992		1993	
	$	%	$	%	$	%	$	%	$	%	$	%	$	%
UNDP	70.7	72.4	78.0	65.1	82.3	61.5	96.0	60.2	76.1	51.6	58.9	43.4	41.1	34.6
Other														
IDF	16.6		19.8		23.0		27.9		27.7		29.3		27.3	
Other trust funds	6.1		14.2		16.5		25.7		31.2		34.8		29.7	
Other	2.2		5.3		5.7		5.5		6.7		10.2		10.9	
Subtotal	24.9	25.5	39.3	32.8	45.2	33.8	59.1	37.0	65.6	44.5	74.3	54.8	67.9	57.2
UNIDO regular budget	2.1	2.1	2.5	2.1	6.3	4.7	4.5	2.8	5.8	3.9	2.4	1.8	9.7	8.2
Total	97.7		119.8		133.8		159.6		147.5		135.6		118.8	
Support cost reimbursement	13.0 a/		17.2		16.9		21.1		19.2		17.6		14.9	

a/ Estimated.

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UNIDO COUNTRY DIRECTOR PROGRAMME

Progress report by the Director-General

Summary

Reports on the follow-up actions taken in response to Programme and Budget Committee conclusion 94/7.

CONTENTS

	Paragraphs	Page
Introduction	1 - 2	1
Chapter		
I. ASSESSMENT OF THE CURRENT UNIDO FIELD REPRESENTATION PROGRAMME	3 - 4	1
II. FIELD REPRESENTATION OF OTHER AGENCIES	5 - 7	2
III. UCD PROGRAMME COUNTRY SURVEYS	8 - 9	2
IV. FINANCING ISSUES	10 - 14	4
V. OTHER ISSUES	15 - 16	4
VI. ACTION REQUIRED OF THE BOARD	17	4
Annexes		
I. Countries covered in field representation of selected United Nations agencies		5
II. World Bank and IFC field offices		6

Introduction

1. In its conclusion 94/7 the Programme and Budget Committee requested the Director-General to prepare an in-depth analysis on the actual and potential impacts of the UNIDO Country Director (UCD) programme, taking into account, inter alia, the system-wide efforts to rationalize United Nations field representation and the functions of the UCDs in the context of the reform process of UNIDO. The Committee further requested the Director-General to submit this analysis and his revised proposals concerning a framework for field representation to its eleventh session, taking into account the views expressed by Member States. The Director-General was also requested to submit a progress report on the matter to the Industrial Development Board at its thirteenth session. The present document is submitted in accordance with that request.

2. In response to the above-mentioned conclusion, the following actions have been initiated so far:

(a) Review of the current financial and staff situation of UNIDO field representation;

(b) Review of the field representation of selected United Nations agencies;

(c) Assignment of a team of international consultants to undertake a survey on the UCD programme in a number of developing countries.

I. ASSESSMENT OF THE CURRENT UNIDO FIELD REPRESENTATION PROGRAMME

3. As the first and most urgent step of the in-depth analysis, UNIDO reviewed, through the Steering Committee on Field Representation (UNIDO/DG/B.179), the country coverage with a view to assessing the current financial and staff situation of the UCD offices in the light of tasks and services they are requested to perform in the future. Simultaneously, UCDs and UNIDO National Directors (UNDs) were asked to provide information on the current and prospective contribution of the local entities to the cost of UNIDO offices in their countries of assignment, to enable the Secretariat to assess the entire financial implications of the UCD programme. Based on this review, an estimation was made of the total costs for each office in 1994 broken down by source of funds, staff- and non-staff costs as well as the received

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Table 1

UNIDO field representation as of 31 August 1994

	Number	Amount (thousands of US dollars)	Percentage share
Country offices	43	-	-
Field staff			
International a/	54	-	37
Local UND and NPOs	7	-	5
Other local staff b/	86	-	58
TOTAL	147		100
Estimated cost (1994 only)			
Staff costs (excluding JPOs)	-	5 603.3	77
Non-staff costs	-	1 778.8	24
Government contributions c/	-	(76.7)	(1)
TOTAL		7 305.4	100

a/ Includes 26 UCDs, 27 JPOs and one Professional Officer.

b/ Secretaries, drivers and five national programme assistants.

c/ Received to date.

and prospective government and private sector contributions to local office costs. The analysis also covered the staff structure in each UCD office, including the number of international staff, UNDs and other local staff. Attention was also given to the assignment of Junior Professional Officers (JPOs) and their financing by specific donor countries. The results of this thorough analysis of the financial and staff structure of UNIDO field representation are summarized in table 1 above.

4. The number of staff of the offices ranges from one to a maximum of six. To date, 26 offices are headed by international UCDs, five by UNDs and two by National Programme Officers (NPOs). A total of 27 JPOs, financed by eight donor countries through United Nations Development Programme (UNDP) offices, are assigned to 23 of the offices. Fifteen JPOs are assigned to other UNDP offices (where there is no UCD office) to support UNIDO programmes in those countries.

II. FIELD REPRESENTATION OF OTHER AGENCIES

5. In order to take stock and assess the field representation programmes of other agencies, inquiries were sent to the International Labour Organisation (ILO), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Bank asking for detailed information with regard to their current financial and staff structure as well as relevant policies and plans. The preliminary findings are summarized below in table 2. A more detailed review will be included in the report to the Programme and Budget Committee at its eleventh session.

6. Table 2 indicates that the United Nations agencies selected, in addition to the country offices, all maintain regional offices. These are exclusively involved in the promotion of regional programmes and cooperation. ILO also covers subregions through newly established multidisciplinary teams. Table 2 indicates further that financial and staff resources for field representation of the selected agencies are substantially larger than those of UNIDO (see table 1).

7. It also emerged that the United Nations agencies covered are responding to United Nations General Assembly resolution 47/199 and have embarked upon a process of reform towards greater decentralization. The establishment of 14 multidisciplinary teams by ILO is one example of a measure to ensure direct provision of relevant policy advice at the country level. A number of measures have been taken by UNESCO to strengthen its field representation, including a preliminary plan of action formulated in April 1994. The plan provides a framework for the decentralization of regular programme activities and programme budget allocations. FAO, with the largest field representation network in the United Nations system, has established a decentralization support unit at Headquarters. It is responsible for planning and monitoring the decentralization programmes of the organization. The World Bank is, inter alia, decentralizing project preparation activities to the field offices in order to expedite the flow of project information between headquarters and its field representations. Lists of countries covered by ILO, UNESCO and the World Bank are attached as annexes I and II. Further details on the system-wide field representation and consolidated data will be prepared upon receipt from various organizations and included in a subsequent analytical report to the policy-making organs.

III. UCD PROGRAMME COUNTRY SURVEYS

8. It was decided to carry out an analysis of specific needs for the services to be rendered by UNIDO country offices to the various entities in developing countries and to assess possible

Table 2

Field representation of selected agencies

	ILO	UNESCO	FAO	World Bank
A. Field office structure				
Regional offices	5	12 a/	5	7
Country offices	25	44 b/	100	75 c/
Liaison offices	10	3	d/	3 e/
Multidisciplinary teams	14 f/	0 a/	d/	0
Specialized institutions or centres	9	6	d/	35 g/
TOTAL	63	65	d/	120
Field staff	450	625 h/	d/	1 148
B. 1994-1995 field representation budget (In millions of US dollars)				
Total	97 i/	91	d/	83 i/
Regular budget component	93 k/	d/	d/	1/

a/ Each regional office covers one specific major sectoral focus and includes one interdisciplinary team with programme advisers or specialists from other sectors.

b/ Includes subregional offices.

c/ Includes satellite offices as well as countries with more than one office.

d/ Response pending.

e/ Headquarters missions (Paris and London) and United Nations representation (New York).

f/ Cover subregions.

g/ IFC offices.

h/ Of which 529 are employed in field offices and 96 in field projects.

i/ Does not include specialized institutes/centres. An additional allocation of $16.1 million ($14.1 million regular budget) covers support costs for regional programmes.

j/ 1994 only.

k/ Represents 96 per cent of total biennial budget for field representation.

l/ Entirely from World Bank approved budget.

modalities of their operations. For this purpose, a team of international consultants is being assigned to visit a number of selected countries in Africa, Asia and the Pacific and Latin America and the Caribbean with the following tasks:

(a) Review with representatives of relevant government and private sector entities the current and future UNIDO field representation programme, in particular in terms of possible new functions and role of UCDs in the light of structural reforms of UNIDO and changing demand patterns in developing countries;

(b) Obtain views of the relevant entities on and their expectations from the UNIDO field representation programme and their suggestions and proposals on substantive, informative, contact-creating and other services to be rendered through the future UCD programme;

(c) Assess the need and requirements for strengthening and expanding the UNIDO field presence, including the extent to which UNIDO could decentralize headquarters functions to the field;

(d) Examine prospects for and issues related to the assignment of national staff and contributions of host entities to the costs of UNIDO offices;

(e) Assess the viability and modalities for establishing offices covering several countries in the subregion and the required staffing and costs;

(f) Examine the field representation of other agencies and relevant international organizations.

9. The analysis will be carried out by one co-ordinating consultant and several regional experts who will be conversant with the problems, needs and requirements of the respective regions. The regional experts would furthermore facilitate the

contact and access of the international consultant to the key persons and institutions in their respective regions. The preliminary findings and recommendations of the team will be made available to the Programme and Budget Committee at its eleventh session.

IV. FINANCING ISSUES

10. A comparison between UNIDO and ILO field representation (two comparable specialized agencies) reveals that UNIDO, with 43 country offices, covers about 70 per cent of the geographical regions covered by the 63 ILO offices of all types. However, the total UNIDO budget from all sources for field representation amounts to only 17 per cent of the ILO budget for the 1994-1995 biennium (assuming the availability of $16.1 million for the UCD programme in 1994-1995) (cf. IDB.13/3/Add.1, table 1). The financial constraint has forced UNIDO to maintain its field presence at minimum staffing levels (i.e. at only 26 per cent of the field staff employed by ILO in all its field offices). This has unquestionably weakened the performance of UNIDO field offices and seriously affected the efficiency of delivery of UNIDO services to an increasingly diversified clientele.

11. The comparison reveals further that almost the entire budget for ILO field representation is covered under its regular budget (see table 2), whereas the regular budget component of UNIDO field representation amounts to only 23.6 per cent of the total biennial budget for the UCD programme, with UNDP sectoral support funds and the UNIDO operational budget covering the remaining 76.4 per cent. This suggests that, given the uncertain funding from operational budget resources and the likely discontinuation of UNDP sectoral support funds as of 1 January 1997, UNIDO could be left with only 23.6 per cent of current financial resources for the UCD programme unless alternative sources of funds are identified.

12. It was for these reasons that UNIDO proposed in its programme framework for field representation (ibid., para. 26), that a total of $1.9 million from anticipated under-expenditure in the 1994-1995 biennium be redeployed to the UCD programme in order to enable the Organization to fill some of the current vacant UCD posts and thereby slightly improve and strengthen the existing field staff structure. A higher regular budget allocation of $3.6 million was also proposed for the 1996-1997 biennium to offset the loss of sectoral support funding and thus maintain the current minimum level of UNIDO field presence (IDB.13/10/Add.1).

13. Although it was possible to fund the 1994 expenditures for field representation from the 1994 allocations and unspent UNDP sectoral support programme resources carried over from 1993, a substantial shortfall (in excess of $1.5 million) is expected in available UNDP funds for 1995 if the current capacity and level of expenditures are maintained. The shortfall arises because the funds available from UNDP total $2.9 million for 1995 and, unlike in 1994, there is no expectation of a carry-over of unspent funds from a prior year. In addition, the cost of maintaining UCD offices continues to rise, whereas the level of funding remains static.

14. For this reason, UNIDO intends to support the programme until the end of 1995 through the provision of regular budget resources that have become available as a result of vacancies and economy measures.

V. OTHER ISSUES

A. Ongoing work of the UNIDO Steering Committee

15. The Steering Committee is continuing its review of the following issues in order to prepare appropriate recommendations for:

(a) Modalities for the establishment and operation of a separate fund for financing field representation programme (IDB.13/3/Add.1, para. 39). It is proposed that a special fund within the Industrial Development Fund be established with a section for special-purpose contributions for specific field offices and a section for convertible pool from which UCD offices designated by the Director-General could be funded;

(b) Establishment of a technical cooperation fund for UCD offices (ibid., para. 22). The fund would enable UCD offices to respond quickly to such urgent requests as advisory or direct support services, urgent study tours within the region and programme/project formulation missions. The most appropriate fund would be the Regular Programme of Technical Cooperation;

(c) The required/desired future functions of UNIDO country offices, including the possible combination of the Investment Promotion Service and UCD functions;

(d) The scope for assignment (redeployment) of headquarters staff as UCDs (ibid., para. 30);

(e) The possibilities for increased assignments of national staff in UCD offices (ibid., para. 29);

(f) Increased assignments and integration of JPOs and Associate Experts in the UCD programme (ibid., para. 31);

(g) Review of guidelines for recruitment and performance evaluation of UCDs (ibid., para. 28) and for communication with Headquarters.

B. Future field representation programme

16. Taking into consideration existing resource constraints as well as the growing need for UNIDO services, revised proposals for the field representation programme will be prepared and submitted to the Programme and Budget Committee covering the following issues:

(a) Optimum country coverage;

(b) Staff structure (international/national);

(c) Cost estimates, including government contributions;

(d) Financial requirements and prospective sources of funds including regular budget savings, voluntary contributions;

(e) Decentralization of headquarters staff to the field offices, and related problems and possibilities;

(f) Subregional representation (viability of the concept, recommended subregions, locations, staff and financial structure).

VI. ACTION REQUIRED OF THE BOARD

17. The Board may wish to take note of the present progress report.

Annex I

COUNTRIES COVERED IN FIELD REPRESENTATION OF SELECTED UNITED NATIONS AGENCIES

International Labour Organisation

Africa

1 regional office: Côte d'Ivoire

10 country offices:

Central and West Africa: Cameroon, Nigeria, Zaire

East Africa: Ethiopia, Madagascar, United Republic of Tanzania

North Africa: Egypt

North-west Africa: Algeria, Senegal

Southern Africa: Zambia

ILO Senior Advisor in UNDP Office, Namibia.

5 multidisciplinary teams: Central and West Africa (Côte d'Ivoire), East Africa (Ethiopia), North Africa (Egypt), North-west Africa (Senegal), Southern Africa (Zimbabwe)

Latin America and the Caribbean

1 regional office: Peru

5 country offices:

Central: Costa Rica, Mexico

South: Argentina, Brazil

Caribbean: Trinidad and Tobago

4 multidisciplinary teams: Andean (Peru), Central America (Puerto Rico), Southern Cone (Chile), Caribbean (Trinidad and Tobago)

2 branch offices: Ottawa, Canada; Washington D.C., United States of America

Asia and the Pacific

1 regional office: Thailand

9 country offices:

East: China, Japan

South: Bangladesh, India, Pakistan, Sri Lanka

South-East: Fiji, Indonesia, Philippines

3 multidisciplinary teams: East Asia (Thailand), South Asia (India), South-East Asia (Philippines)

Europe

1 regional office: Located at Headquarters

1 country office: Turkey

1 multidisciplinary team: Central and Eastern Europe (Hungary)

7 liaison/branch offices: Belgium, France, Germany, Italy, Russian Federation, Spain, United Kingdom of Great Britain and Northern Ireland

Arab States

1 regional office for the Middle East: Provisionally located in Geneva

1 multidisciplinary team: Arab States (Geneva, pending return of regional office to the region)

United Nations Educational, Scientific and Cultural Organization

Africa

2 regional offices: Kenya (science and technology); Senegal (education)

10 country offices: Burkina Faso, Cameroon, Ethiopia, Mozambique, Namibia, Nigeria, United Republic of Tanzania, Zaire, Zambia, Zimbabwe

Arab States

2 regional offices: Egypt (science and technology); Lebanon (education)

5 country offices: Jordan, Kuwait, Morocco, Qatar, Tunisia

Asia and the Pacific

3 regional offices: India (science and technology for southern and central Asia); Indonesia (science and technology for South-East Asia); Thailand (principal regional office)

5 country offices: Cambodia, China, Malaysia, Pakistan, Samoa

Europe and North America

1 regional office: Italy (science and technology)

3 country offices: Canada, Romania, Russian Federation

Latin America and the Caribbean

4 regional offices: Chile (education); Cuba (culture); Uruguay (science and technology); Venezuela (higher education)

9 country offices: Argentina, Barbados, Bolivia, Brazil, Costa Rica, Equador, Jamaica, Mexico, Trinidad and Tobago

3 liaison offices: Austria, Switzerland, United States of America

Annex II

WORLD BANK (75) AND INTERNATIONAL FINANCE CORPORATION (35) FIELD OFFICES

WORLD BANK							INTERNATIONAL FINANCE CORPORATION (35) f/
AFRICA (29)	EAST ASIA (5)	SOUTH ASIA (5)	EUROPE AND CENTRAL ASIA (17)	MIDDLE EAST AND NORTH AFRICA (4)	LATIN AMERICA AND THE CARIBBEAN (11)	OTHER (4)	
Angola Benin Burkina Faso Burundi Cameroon Central African Republic Chad Congo Côte d'Ivoire Ethiopia Ghana Guinea Guinea-Bissau Kenya Madagascar Malawi Mali Mauritania Mozambique Niger Nigeria Senegal Sierra Leone a/ South Africa Togo Uganda United Republic of Tanzania e/ Zambia Zimbabwe	China Indonesia Philippines Thailand Viet Nam	Bangladesh India Nepal Pakistan Sri Lanka	Albania Belarus Bulgaria Estonia a/ Hungary Kazakhstan Kyrgyzstan Latvia Lithuania a/ Poland Republic of Moldova b/ Romania Russian Federation The former Yugoslav Republic of Macedonia b/ Turkey Ukraine Uzbekistan	Egypt Occupied territories b/ Saudi Arabia Yemen b/	Argentina Bolivia Brazil d/ Colombia Costa Rica Ecuador Jamaica Mexico Nicaragua Peru b/ Venezuela	France Japan United Kingdom United States	Argentina Australia Austria Barbados Brazil Cameroon China Costa Rica Côte d'Ivoire c/ Czech Republic Egypt France Germany Ghana Hungary India Indonesia Japan Kenya c/ Mexico Morocco Nigeria Pakistan Philippines Poland c/ Russian Federation Thailand Trinidad and Tobago Turkey United Kingdom Zimbabwe c/

a/ Liaison/satellite office.
b/ Office to be opened.
c/ Two offices in one country.
d/ Offices in Brasilia, Rio de Janeiro, Recife, Cuiaba.
e/ Offices in Dar-es-Salaam and Bukoba.
f/ This total includes all IFC field offices.

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INDUSTRIAL DEVELOPMENT COOPERATION AND CONSULTATIONS
(INCLUDING IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/153)

World Summit for Social Development - The Involvement of UNIDO

Report by the Director-General

Summary

Describes the preparatory process leading to the World Summit for Social Development, the role of industrialization in social development and the involvement of UNIDO in the Summit.

CONTENTS

		Paragraphs	Page
Introduction		1	1
Chapter			
I.	PREPARATORY PROCESS FOR THE WORLD SUMMIT FOR SOCIAL DEVELOPMENT	2 - 6	1
II.	INDUSTRIAL DEVELOPMENT AS A MEANS TO ACHIEVE SOCIAL DEVELOPMENT	7 - 15	2
III.	ACTION REQUIRED OF THE BOARD	16	3

Introduction

1. In its resolution 47/153 on industrial development cooperation, the United Nations General Assembly called upon organizations of the United Nations, in particular UNIDO, to take due account in their programmes, projects and activities, in the context of industrial development cooperation, of the commitments to further sustainable development. The proposed medium-term plan, 1996-2001 (IDB.13/19) and the report to the General Assembly on industrial development cooperation (A/49/347) submitted by the Director-General give evidence of UNIDO's commitment to that goal. In that context, the present report draws the attention of the Board to UNIDO's involvement in the preparations for the World Summit for Social Development.

I. PREPARATORY PROCESS FOR THE WORLD SUMMIT FOR SOCIAL DEVELOPMENT

2. The General Assembly, in its resolution 47/92, decided to convene a World Summit for Social Development (referred to below as Social Summit) at the level of Heads of State or Government and Heads of Agencies to take place at Copenhagen, Denmark. The Social Summit shall be convened from 6 to 12 March 1995. It is the fifth in a series of world conferences organized by the United Nations in the first half of the 1990s:

The World Summit for Children (New York, September 1990);

The United Nations Conference on Environment and Development (Rio de Janeiro, June 1992);

The World Conference on Human Rights (Vienna, June 1993);

The International Conference on Population and Development (Cairo, September 1994);

The World Summit for Social Development (Copenhagen, March 1995);

The Fourth World Conference on Women (Beijing, September 1995).

3. In resolution 47/92, the General Assembly singled out three core issues to be addressed by the Social Summit in view of their paramount importance for social development. These core issues are:

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(a) Enhancement of social integration, particularly of the more disadvantaged and marginalized groups;

(b) Alleviation and reduction of poverty;

(c) Expansion of productive employment.

4. The preparatory process for the Social Summit is being coordinated by a secretariat unit, located in the United Nations Department of Policy Co-ordination and Sustainable Development (DPCSD). The relevant substantive discussions take place in the framework of the Preparatory Committee for the World Summit for Social Development, which comprises all Member States of the United Nations, and all United Nations funds, programmes and specialized agencies. To date, this Preparatory Committee has held two sessions in New York (from 31 January to 11 February 1994 and from 22 August to 2 September 1994). In both, as well as in an intersessional inter-agency meeting held in May 1994 in Geneva, UNIDO has actively participated and submitted papers drawing attention to the instrumental role of industrial development in furthering social development. In the first session, the UNIDO contribution titled "Social development through industrial development" was issued as document A/CONF.166/PC/12/Add.15; in the second session, "Comments of UNIDO on the draft declaration and draft programme of action of the World Summit for Social Development" were issued as document A/CONF.171/PC/20/Add.9. Copies of the two documents are available with the Secretariat.

5. The third session of the Preparatory Committee will be held from 16 to 27 January 1995 in New York with the purpose of finalizing the draft programme of action.

6. UNIDO has established an internal steering committee for the Social Summit that will coordinate the further preparations and inputs of the Organization for the Summit itself, including a substantive UNIDO position paper and a number of promotional activities. This will be done in close consultation with a similar internal task force preparing the Organization's input for the Fourth World Conference on Women. A UNIDO delegation, headed by the Director-General, will attend the Social Summit.

II. INDUSTRIAL DEVELOPMENT AS A MEANS TO ACHIEVE SOCIAL DEVELOPMENT

7. In his address to the second session of the Preparatory Committee for the World Summit for Social Development, the Secretary-General of the United Nations stated that "economies must serve people. Economic growth should be a means to an end, not an end in itself. New development models should not only generate economic growth. They should distribute it equitably. They should empower people, not marginalize them. They should empower women in their role as dynamic agents of changes. They should provide job-led growth, not jobless growth. They must continue to replenish the natural heritage on which all life depends. The Social Summit can identify the policies, both national and international, needed to realize these goals."

8. In response to the call by the Secretary-General for socially sustainable economic development, UNIDO wishes to emphasize the particular role of industrial development in this respect. Specifically, the following aspects should be highlighted.

9. The capacities of the productive sectors, i.e. primarily agriculture and industry (including industrial services), to generate economic growth as well as to ensure its equitable distribution, bear fundamental importance for social development. In the discussion now evolving on a broad range of pressing social concerns, it needs to be borne in mind that neither national fiscal adjustments nor external concessional flows can furnish the scale of resources required to solve the overriding problems within an acceptable time frame. Only through the creation of productive employment opportunities can long-term solutions be found, with the private sector assuming an increasingly important role.

10. The mandate of the United Nations system to promote economic development must thus be made an integral part of the current concerns over social issues. Poverty alleviation, employment creation and social integration over the long term are dependent, inter alia, upon the patterns of economic development. These have various dimensions, including locational patterns, size patterns, technology choice, sectoral composition, industrial relations and many others which bear upon both the human and social costs and benefits of development processes.

11. Notwithstanding the predominance of agriculture in most developing countries, the gradual transformation of an agrarian society into an industrial economy is the most powerful mechanism for generating productive employment, increasing productivity and thus combating poverty. In this sense, industrial development is a vital means of achieving social development; it is not an end in itself. As the Preamble of the Constitution of UNIDO states: "Industrialization is a dynamic instrument of growth essential to rapid economic and social development, in particular of developing countries, to the improvement of the living standards and the quality of life of the peoples in all countries, and to the introduction of an equitable economic and social order". In pursuit of this mandate, the General Conference of UNIDO, at its fifth regular session in December 1993, adopted "equitable development through industrial development" as one of the five fundamental development objectives for UNIDO following its recent reform process.

12. The regional distribution of industrial activity within an economy takes on particular importance. Regionally dispersed industrial development can make a crucial contribution to reducing major income disparities, which are a frequent cause of social disruption and rural-urban migration. Special attention should be paid to small and medium manufacturing enterprises - which often process local resources and serve local markets - as sources of decentralized productive employment and entrepreneurship. Their integration, both through subcontracting arrangements with large enterprises and through cooperation of small producers, should be actively promoted.

13. In countries with a sizeable agricultural base, the effective linkage of agriculture and industry is of singular importance to both increasing agricultural productivity and inducing a broader transformation of a country's economy. Both agro-based industries (i.e. those industries processing agricultural produce) and agro-related industries (i.e. those providing inputs, implements and machinery) offer great scope for small-scale operations and local skills development, particularly for women. A key element in any promotion

strategy aimed at fostering agro-industrial linkages is the decentralized development of the requisite physical and institutional infrastructure.

14. The globalization of industrial production and investment, primarily driven by private sector investment flows, offers great potential for accelerating national development processes and creating productive employment through the transfer of technology and skills and access to foreign markets. It is essential, however, that these external development stimuli be effectively linked to domestic capabilities and needs. Specifically, efforts should be strengthened to achieve a more even regional distribution, both between and within countries, of the technology and investment flows to developing countries.

15. Socially sustainable development requires continuous efforts in human resource development in terms of generating and upgrading a broad range of skills. This applies in particular to industrial development where rapid market and technology changes impose frequent adjustment and restructuring requirements often with particularly severe implications for female labour. Coping with these challenges without creating additional unemployment will only be possible through broad-based education and training efforts to fully utilize human capabilities. Specifically, this would require a strong component of empowerment and personal development with a view to offering true opportunities and options for human fulfilment.

III. ACTION REQUIRED OF THE BOARD

16. The Board may wish to stress the particular importance of industrial development in creating and strengthening the productive capacities required to ensure socially sustainable development and emphasize the significance of intersectoral linkages through which industry provides critical supply and processing functions for other economic and social sectors, notably agriculture, services, health, education, housing and infrastructure. The Board may also wish to take note of the close involvement of UNIDO in the preparatory process for the World Summit for Social Development.

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10 and 13 of the provisional agenda

Statement of the staff of UNIDO

Submitted by the President of the ninth Staff Council
through the Director-General

Summary

Provides the views of staff on certain issues being taken up by the Board under the agenda items related to the UNIDO policy framework, the report of the External Auditor, the financial situation of UNIDO, the medium-term plan 1996-2001, joint United Nations/UNIDO conference services, the headquarters agreement between UNIDO and the Republic of Austria, the International Civil Service Commission, the United Nations Joint Staff Pension Fund and the home leave entitlements of staff serving in the UNIDO Secretariat.

Introduction

1. Staff is fully conscious of the difficulties that have beset UNIDO over the past few years. It thus wishes to reaffirm its commitment to contributing to the relevance, cost-effectiveness, efficiency and sustainability of the Organization as it goes about its tasks of promoting the industrialization of the developing countries. Human relationships are an important factor in an endeavour of that scale. Against that back-drop, it is essential that a meaningful dialogue be maintained between staff and their employing/controlling bodies on issues that relate but are not restricted to the security of tenure, career prospects and conditions of service.

2. The present paper is structured along the lines of the provisional agenda of the thirteenth session of the Board. It is being presented pursuant to General Conference resolution GC.4/Res.29, which invites the Chairperson of the Staff Council through the Director-General to provide for consideration to Member States if necessary the views of staff on certain matters during the regular sessions of the Board. It is also being presented with the express intention of contributing to an open dialogue and organizational stability that are fundamental to the success of UNIDO.

Agenda item 3
UNIDO policy framework - organizational and staff structure

3. In resolution GC.5/Res.18, the General Conference approved the Director-General's proposals for the future policy framework of UNIDO and its organizational and staff structure. It also sought the support and cooperation of Member States and all relevant United Nations bodies, intergovernmental organizations and financial institutions.

4. The response of Member States is reflected in many different ways - among them the payment of assessed contributions and advances to the Working Capital Fund (see para. 25 below). The response of other United Nations bodies, intergovernmental organizations and financial institutions is reflected primarily in the working relationship that UNIDO establishes with them. Although at the end of June 1994, the level of net project approvals showed a modest improvement over the first six months of 1993, clearly more needs to be done to secure the stabilization of the income structure of the operational budget and the future of the Organization. Staff thus hopes that current efforts to define a marketing strategy for UNIDO and mobilize resources from both new and traditional sources bear fruit.

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5. In resolution GC.5/Res.18, reference is made to the principle of equitable geographical distribution in the Secretariat, and in particular in the implementation of the new organizational and staff structure. Staff have thus noted among the recent senior appointments and in the latest round of promotions, an increase in both the number of new staff members from developing countries and the number of women. Since the beginning of 1994 four new staff members from developing countries (out of a total of nine) have been appointed to fill managerial or supervisory posts, while 12 women currently occupy posts at the P-5 level and above: a new "high" for the Organization. Furthermore, the recent promotions have also helped to reduce the disparity in age between men and women at the P-5 level.

6. Although the total number of women in the Professional category in UNIDO subject to geographical distribution currently stands at 75 or 23.4 per cent, thus bringing the total complement of women in that category to the strength of the previous year, UNIDO still falls short of past and future targets set for the representation of women in the Professional category: 25 per cent for 1993 and 30 per cent for 1995. Staff recognizes that targets constitute useful tools for measuring progress in improving the representation of women and urges that they be met. This is borne out by the statement in the Joint Inspection Unit (JIU) report on the advancement of the status of women in the United Nations Secretariat in an era of "human resources management" and "accountability" (JIU/REP/94/3) that action programmes for women's advancement had proven ineffective, not only because many quantitative targets had not been met, but because the underlying organizational climate and personnel processes of the Secretariat had scarcely changed.

7. Equitable geographical representation and proper gender balance coupled with the highest standards of efficiency, competence and integrity are basic principles governing the composition of the Secretariat. Staff thus supports moves to redress the imbalance on both fronts. It would also encourage Member States to support actively the distribution of UNIDO vacancy announcements in their respective countries so that high-quality candidates, men and women, are motivated to apply - and not only for positions as senior managers or supervisory staff.

8. Indeed, the question inevitably rises about the need to fill almost all vacancies at the policy-making level through external recruitment. It should also be possible to meld the career aspirations of serving staff and the management requirements of the Organization. Drawing on the skills and talents within the Organization would undoubtedly boost staff morale and increase motivation.

9. In resolution GC.5/Res.20 containing the Yaoundé Declaration, the principles of balance and efficiency were underscored as major components in the moves to bring about major changes in the management and structure of UNIDO. The same resolution also emphasized the need for a reformed UNIDO to enhance the impact of its activities, ensure greater economy of its programmes and performance and respond more effectively to specific demands of Member States.

10. Staff is fully conscious of the fact that an effective and dynamic response to its client country needs can only be assured through simpler procedures, improved efficiency and enhanced cost-effectiveness. These in turn derive from greater transparency, fuller accountability and closer teamwork. All these are concepts that demand a change in the organizational culture - and they are concepts to which staff fully subscribe.

11. It is essential that agreed and consistent priorities be clearly set by management and activities linked to those priorities, with a genuine commitment to their implementation. This, in turn, demands that the identification of priorities be matched by the allocation of requisite resources, both human and financial. Staff thus supports the move towards a concentration of activities and resources in specific areas that offer greatest benefit to the developing countries in terms of relevant and sustainable programmes and projects. Such a realignment of activities, which could be achieved on the basis of redeploying and retraining current staff, takes on particular significance at a time when the resources available to the Organization are not predictable.

12. Cost consciousness and innovative use of resources would be heightened if the procedures governing the utilization of resources saved were more flexible. The propensity to save would increase if the savings achieved in one area could be used by the saver in another. Furthermore, staff feels that UNIDO should enjoy greater flexibility in respect of the retention of unutilized funds, particularly when the non-utilization of funds is due to reasons beyond the Organization's control: a good example being those instances when assessed contributions are received after the end of the biennium. Delegation of authority over resources to managers responsible for specific activities rather than centralized management of resources could well pave the way to better cost control, higher quality and speedier delivery.

13. Staff thus supports the move to introduce greater flexibility in the reallocation of financial resources and to bring about greater delegation of responsibility and heightened accountability. An appropriate balance must ultimately be struck between the need for central control and monitoring and the requirement that managers, if they are to be accountable for the implementation of activities, have control over the appropriate resources.

Agenda item 5
Report of the Programme and Budget Committee

(a) Report of the External Auditor

14. Central control and monitoring of resources are basic concerns of the report of the External Auditor on the accounts of UNIDO for the period 1992-1993. The report rightly summarizes many of the financial difficulties that the Organization had to face in that period. These ranged from cumulative unpaid assessed contributions of almost $40 million at the end of the 1992-1993 biennium to an operational budget shortfall of close on $8 million for the same period, while the share of UNDP resources within the overall project expenditure dropped from 74 per cent in 1980 to 45 per cent in 1993, without a matching increase from other sources.

15. The External Auditor also touched on personnel matters and included many valuable suggestions. These included recognition of the need to avoid all misunderstandings and warrant

equal treatment of all staff members in a staff reduction exercise, as well as of the need to strengthen certain units that had been depleted during the reduction exercise. Reforms invariably take time and are part of a continuous process. Staff thus supports any efforts to make such adjustments in the interests of efficiency and functional logic, a key input being the findings of the workload review recommended by the External Auditor (see also para. 19 below).

16. The External Auditor reserved some of his most critical comments for the performance appraisal scheme where the shortcomings lay not so much in the scheme itself as in the application thereof. His reservations about the validity of the current scheme are undoubtedly shared by staff and managers alike. These misgivings are also shared by the JIU Inspector who, in his report on a new system of performance appraisal in the United Nations Secretariat (JIU/REP/94/5), described the present system as dysfunctional. The introduction of sound and transparent performance appraisal and performance management were seen to be central elements in establishing a more effective United Nations and bolstering the organization's credibility. The JIU Inspector saw the importance of making the new performance appraisal a key component in establishing the new system of accountability and responsibility, in changing the basic nature of staff-supervisor relationships, in changing the organizational climate throughout the United Nations Secretariat and in paving the way to a much more dynamic and responsive organizational culture. Staff would welcome a scheme that could be seen to serve three basic purposes: assess performance effectively, evaluate behaviour equitably and indicate development potential fairly. In the absence of an effective appraisal scheme, personnel decisions, be they related to promotion, training, contract extensions or terminations, are taken on the basis of inadequate information.

17. Staff has actively participated in a working group that has sought to overcome the failings of the current scheme. These can be seen as the failure of supervisors to provide comments on their ratings, a disinclination to set assignments at the outset of the reporting period and a lack of discussion with staff. As a management tool, the current scheme lacks credibility. The new scheme being mooted seeks to obviate these and other shortcomings, while providing for the identification of development potential and better rapport between supervisors and staff. A prototype will be circulated for comments and tested over the next few months to ensure acceptability ab initio.

18. The introduction of any performance appraisal scheme must be matched by appropriate training and induction courses. Above all else, however, management must be fully committed to the new scheme, which staff must see as contributing to effective career development. Staff is more than willing to participate in such training so as to ensure the success of the new scheme. It should also be stressed that improvement of the performance appraisal scheme is but the first stage in a broader process of reform that must extend to other items related to career development and personal advancement, such as promotion procedures and classification schemes.

19. The External Auditor also recommended the conduct of a thorough and organization-wide workload and staffing review. For staff, this would be an integral component of any prioritization exercise and its findings essential to identifying the critical mass required for priority activities. Once the Organization has determined its full range of priorities, the external advice being sought by the Organization could assist in the process of resource concentration and matching skill requirements with staff capabilities. In this latter context, staff attaches particular importance to the organization of both general and specialized training programmes to enable staff members to assume new duties and carry out their functions efficiently and effectively. Staff thus welcomes the increased allocation of resources to training activities in the Organization. At present, the amount devoted to staff training in UNIDO is 1.24 per cent of the total payroll (ACC/1994/PER/P.12). This compares unfavourably with the resources invested in training by the average industrial enterprise, which are in the order of 2 to 4 per cent. Ultimately, staff would wish to see an overall target of 2 per cent of the total salary costs of the Organization set aside for training purposes: a target adopted by the Council of the Federation of International Civil Servants' Association (FICSA) at its forty-seventh session. As the Consultative Committee on Administrative Questions (Personnel and General Administrative Questions) pointed out in the report on its eighty-first session, training and staff development are "central to the human resources function and to the Organization's successful implementation of change." (ACC/1994/14, para. 173).

20. Closely related to the workload and staffing review is the External Auditor's recommendation relating to the establishment of a staff inspection unit independent of line management which he saw as offering staff an opportunity to express opinions unconstrainedly and speak freely and easily. The External Auditor saw it as a means of restoring an atmosphere of confidence as well as of providing independent advice to top management on the crucial issue of human resource planning and management. Staff appreciates the importance that the Auditor attaches to staff motivation and freedom of expression. It is noted that consultants will be hired to assess, inter alia, the viability of an independent staff inspection unit, and staff stands ready to contribute actively to the consultants' review.

21. Staff has its reservations about the External Auditor's suggestion that the Organization adopt a flexible personnel policy involving recruitment on a fixed-term basis for a maximum of eight years. The proposal seems to be patterned on the practice of rotation in the International Atomic Energy Agency (IAEA) whose staff mainly come from national nuclear energy or research institutions to which they can, in many instances, return. In addition to being to the disadvantage of staff harbouring expectations of a career with the Organization, implementation of such a policy disrupts continuity and destroys institutional memory. It is also hardly applicable to an organization such as UNIDO, which has to offer more secure career prospects in order to be able to attract qualified staff from a highly competitive commercial environment.

22. As the Director-General pointed out in his comments on the report of the External Auditor (IDB.13/8), the proposal is at variance with General Assembly resolution 37/126 that states that staff members on fixed-term appointments upon completion of five years of continuing good

service shall be given every reasonable consideration for a career appointment. Furthermore, in the opinion of staff it is essential that the Organization be afforded an assurance of continuity: this can only be achieved by offering staff the opportunity to demonstrate their commitment over a longer period, if not a whole career, in common with most foreign/civil services throughout the world.

23. It is interesting to note that the freeze on the conversion of fixed-term appointments to career appointment that had been in place since March 1992 was lifted at United Nations Headquarters in June 1994 and a working group is reviewing the process to see whether it still meets the needs of the Organization for a proper balance between continuity and flexibility. Career appointments offer the chance to mould staff in the corporate image of the Organization and secure an identity of purpose that cannot be achieved with short-term tenure. In the same vein, the corporate spirit of the Organization is enhanced by a shared commitment on the part of Member States.

(b) Financial situation of UNIDO

24. Whereas it is reported that the regular budget financial position is reasonably stable and the operational budget is expected to balance in 1994, staff notes certain developments with concern.

25. The first issue is the low collection rate of assessed contributions. Timely payment is essential to assuring the Organization greater and more predictable financial stability under the regular budget and strengthening its cash base. However, until that is achieved, the ability of the Organization to carry out its programme of work in a full and effective manner remains impaired.

26. It would certainly contribute to organizational stability if the operational budget also displayed a similar degree of predictability. Staff thus fully supports the hope expressed in document IDB.13/28, paragraph 31, that Member States will provide additional voluntary contributions to the Organization for technical cooperation activities and, in particular, to the Industrial Development Fund, so as to guard against further erosion of operational budget resources and reduction of the Organization's capacity to support technical cooperation. As the document points out, provided operational budget resources are used to lend direct support to technical cooperation activities and can be adjusted in line with changes in the level and categories of services demanded, stabilization of the operational budget and the potential to respond to growth should be assured.

27. Staff would point out, however, that in allocating operational budget resources in line with the level and categories of services demanded, due account should be taken of those units building up potentially viable programmes and services where sustainable demand has yet to be established. Staff would also caution against focusing on large-scale projects, to the exclusion of small-scale projects which are often of particular importance in such areas as policy advisory services. Furthermore, small-scale projects are frequently the basis on which large-scale projects are built.

28. Another matter of concern is the high vacancy factor in the regular budget: 15 per cent for Professional-level and 8 per cent for General Service-level posts. Were a greater number of staff occupying operational budget posts to be transferred to regular budget posts in priority areas, this would have the dual benefit of: (a) reducing the drain on the operational budget, which is also suffering from a US dollar declining in value against the Austrian schilling; and (b) reducing the vacancy factor under the regular budget and ensuring effective utilization of financial resources allocated to specific items of expenditure. If initiated on a gradual basis, this transfer could help to overcome the problem of determining which costs should be borne by the regular and operational budgets as described in paragraphs 8 and 9 of document IDB.13/28.

29. Staff welcomes the endeavours to strengthen the field presence of UNIDO not only because it ensures closer contact between the Organization and its developing country clients, but also because it offers staff members an opportunity to broaden their experience, which they can put to good use on their reassignment to Headquarters. Staff can thus fully subscribe to the statement in paragraph 24 of document IDB.13/22 that there remains a compelling need to identify new solutions to strengthen UNIDO field representation.

(c) Medium-term plan, 1996-2001 (including general ceiling for the biennium 1996-1997)

30. Staff welcomes the endeavours to revise the medium-term plan so as to make it more concise, focused and action oriented. Clarity of purpose and expression is essential to any planning exercise. As implied in its proposed new title, the basic functions of the "medium-term programme framework" can be described as: (a) establishing strategic goals and objectives; and (b) drawing up a dynamic programme framework that outlines the scope of future activities and provides for adequate flexibility so as to be able to respond to changing circumstances. It is to be hoped that these basic functions are met, as planning over the medium term offers a unique opportunity to formulate future organizational policy and identify genuine priorities, on the basis of which effective programmes and budgets can be drawn up. Planning activities within the constraints of a zero growth budget requires not only the identification of accepted priorities but also the concentration of the Organization's reduced resources on activities in which UNIDO has a proven comparative advantage: the principle of critical mass.

Agenda item 8
Joint United Nations/UNIDO conference services

31. For years many of the staff in the Languages and Documentation Services have led dual lives as United Nations staff subject to UNIDO administrative procedures which has not infrequently led to fears of their getting the worst of both worlds. Given decision GC.5/Dec.19, which urged the Director-General to finalize with the United Nations as soon as possible the arrangements for the transfer of administrative responsibility for conference services from UNIDO to the United Nations Office at Vienna, staff urges that every care be taken to guard against their being disadvantaged in any way in terms of their acquired rights and contractual status.

Agenda item 9
Headquarters agreement between UNIDO and the Republic of Austria

32. Staff trusts that the headquarters agreement can be finalized soon, particularly in view of the implications that further delays bear, inter alia, for those staff members wishing to exercise an option in respect of certain Austrian insurance schemes. Release from such schemes should be provided for under the agreement once finalized.

33. Furthermore, although not within the purview of the present headquarters agreement staff like to see relaxation of local regulations governing access to the Austrian labour market for spouses and dependents of UNIDO staff members, and a similarly pragmatic solution to the problem facing UNIDO retirees from countries outside the European Economic Area wishing to remain in Austria. Development of favourable procedures in respect of both issues would be very much in keeping with the spirit of the headquarters agreement. It would also be commensurate with the extended privileges and immunities being offered by the Swiss Government to staff of the World Trade Organization and all the international organizations in Geneva.

Agenda item 10

(b) International Civil Service Commission

34. The relationship between staff and the International Civil Service Commission (ICSC) is characterized by staff disillusionment over the outcome of FICSA's resumed participation in the proceedings of ICSC during its thirty-ninth session at Bangkok, Thailand, in February/March 1994. The Commission fulfilled the primary condition for FICSA's return and agreed to the inclusion of the review of General Service salary survey methodology for Headquarters and non-Headquarters duty stations on the agenda of the fortieth session of ICSC. At that latter session, however, the Commission and its secretariat refused to discuss the substance of the subject. They also refused to review the various technical arguments brought forward on the revised General Service salary methodology by FICSA, the Co-ordinating Committee for Independent Staff Unions and Associations of the United Nations system (CCISUA) and the representatives of administrations of the United Nations system organizations in the Consultative Committee on Administrative Questions (CCAQ). They were equally reluctant to enter into discussions over the preparations for the Rome and New York General Service salary surveys as well as over the Noblemaire principle and post adjustment matters in respect of Professional salaries - despite the increasingly non-competitive salaries that the United Nations pays its Professionals.

35. At the Administrative Committee on Coordination (ACC) meeting in September, many of the executive heads or their representatives voiced their concern about the work of the Commission and echoed staff representatives' indictment of the Commission. A meeting of heads of delegations of FICSA Member Associations/Unions attending an informal meeting in Paris on 26 and 27 September declared their complete loss of confidence in the integrity of the Commission and roundly condemned the Commission's refusal to engage in meaningful consultation with staff representatives.

36. Staff's basic contention is that in its dealings with the Commission it has no meaningful voice in the final recommendations on the terms and conditions of service, even though Member States recognize that negotiations are the most efficient means of overcoming their differences between employers and employees. The principle and process of negotiation are not only central to the United Nations approach to resolving conflict, but they are also rights accorded by most Member States to their own nationals. FICSA is currently drawing up proposals for alternative mechanisms for the full and equal participation of staff in all negotiations concerning terms and conditions of service.

37. The concern that staff harbour over the revised methodology prepared by ICSC for surveys of best prevailing conditions of service at headquarters duty stations for the General Service and related categories is reflected in the decision of United Nations staff world-wide to appeal against administrative decisions based on the revised methodology which they deem to be unlawful. The first appeal of this kind, fully supported by FICSA and CCISUA, has been initiated by UNESCO staff in Paris. The outcome is still pending.

(c) United Nations Joint Staff Pension Fund

38. At its forty-sixth session in Vienna from 18 to 29 July 1994, the United Nations Joint Staff Pension Fund (UNJSPF) Board discussed and negotiated many issues, it being a rather unique entity in the United Nations system in that Member States' representatives and participants' representatives actually negotiate. Among the points of interest for staff was the conservative revenue of the Fund which staff suggested could be enhanced by using professional investment managers. The cumulative annualized total returns over the past 25 years had averaged 9.4 per cent and the Board requested the establishment of a basis for assessing the investment performance in relation to other international pension funds, such as the World Bank, or benchmark indicators. The Board agreed to recommend to the General Assembly that years of service between 35 and 40 should be creditable at an annual accumulation rate of 1 per cent, subject to a maximum accumulation of 70 per cent. It also decided to review interest rates applicable to lump-sum calculations and apply up-to-date mortality tables for those calculations. No solution was found to the problems faced by United Nations pensioners in the former Soviet Union: the matter will be referred to the General Assembly. It was, however, decided to recommend reducing to 110 per cent the 120 per cent provision under the two-track pension adjustment system. The Board also deferred the review of the special index for pensioners pending the review of pensionable remuneration of Professional staff in 1996. No agreement was reached on the current pension adjustment system despite the difficulties faced by pensioners in countries with high inflation rates. The Board did, however, agree to the extension of the modified pension adjustment system of 1 April 1992 to staff in the General Service and related categories. It also agreed to conduct a study on the effect of the determination of the final average remuneration on the basis of the highest thirty-six months of the entire period of contributory service for participation in soft-currency duty stations. Furthermore, it was agreed to recommend to the General Assembly admittance of the International Centre for Genetic

Engineering and Biotechnology (ICGEB) to the Fund. All the measures agreed upon would be implemented with effect from 1 July 1995.

Agenda item 13
Home leave entitlements of staff serving in the UNIDO Secretariat

39. Many foreign/civil services are seized with simplifying administrative procedures: travel arrangements are a case in point. In his report, the External Auditor focused on the issue of home leave arrangements and, among other things, pointed to the economies that had been achieved since the special arrangements for home leave were introduced in 1987 (ID8.13/7, para. 208). As the Director-General reported to the Programme and Budget Committee on the same issue in the context of rationalizing expenditures and reducing costs, while staff members "have demonstrated a cooperative and constructive attitude to cost-saving measures, they view any changes in present arrangements with some concern" (PBC.10/14, annex, para. 11). This concern remains because the changes being proposed in paragraph d (i) of the draft decision before the Board (ID8.13/25, annex, section II) would constitute a deterioration in the standard of travel for international civil servants and their families and might well jeopardize their safety, by having staff travel on cheap unscheduled carriers. Moreover, as can be demonstrated, the current home leave entitlements in UNIDO do not compare favourably with other organizations in the United Nations system where the basis is the full economy fare. Furthermore, it seems discriminatory to have different arrangements in different organizations in one and the same duty station. Unilateral curtailment of entitlements, which are the outcome of extensive negotiations between management and staff and considered an acquired right, would not only severely affect staff morale and make UNIDO one of the least attractive employers in the United Nations system, it would also have an adverse effect on staff/management relations and could ultimately lead to appeals being lodged with the Administrative Tribunal of the International Labour Organisation. The whole matter should be addressed within the context of the staff/management consultative process provided for under the staff regulations.

40. Staff recognizes the need for economies, but remains convinced that other areas offer scope for greater savings with lesser impact on staff benefits and acquired rights. The solution lies not in introducing still more changes that are costly to administer as the mandatory application of discounted fares would involve complex and cumbersome comparisons of prices and routings. The solution lies in simplifying procedures and using as a base rate a level of fares that is valid and available for virtually all destinations: full economy fares. This would permit the equitable treatment of all staff, provide essential flexibility and simplify administration of the scheme, thus ensuring cost savings.

Conclusion

41. As UNIDO develops, the premium on knowledge and education becomes ever greater. It is almost a truism to state that the success of an organization is built on the skill and talent of its staff, but it is none the less a valid statement. It is the amount of value that staff can add to the Organization's output that is the key to UNIDO's asserting itself in an increasingly competitive world. The Organization has a unique chance to capture the high ground of opportunity by adopting and applying policies and principles that help individual countries and thereby, on a different plane, help individual staff members to advance and prosper.

42. The comments in the present document are submitted in that spirit. The Board may wish to take note of the issues raised in this paper and reflect some of the proposals in its decisions.